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**MEMORANDUM**

**TO: District of Columbia Health Care Coverage Advisory Panel**

**FROM: Vic Miller**

**SUBJECT: D.C. Use of SCHIP Funds**

The State Children's Health Insurance Program (SCHIP) annually provides allocations to states to help them finance expansions of coverage for poor and near-poor children.

As can be seen from Table 1 of the attached Issue Brief, the District plans to spend \$7.7 million in federal SCHIP funds during fiscal year (FY) 2005. The enhanced matching rate available to the District for this purpose is 79 percent. Said another way, the City only has to put up 21 percent of the costs, less than one dollar in four.

States have three years to spend SCHIP funds before they lapse, whereupon they are redistributed to other states. While the District has returned substantial SCHIP funds for redistribution in the past, it does appear that current levels of spending will use up all of the FY 2003 allocation. However, it will not eat up the balances that will have accumulated from FYs 2004-2005.

The FY 2006-2007 SCHIP appropriations have already been made. The national total for FY 2006 is level-funded at \$4.05 billion, with an increase of almost 25 percent in FY 2007 to \$5.0 billion. This means that under current law D.C. should receive an allocation in FY 2006 roughly equivalent to its FY 2005 amount of \$9.6 million, with at least a \$2 million increase for FY 2007. If so, the City could add about \$9 million per year to its SCHIP spending through FY 2007 without running out of federal funds.

SCHIP enrollment appears to have declined in the District of Columbia. While there appears to be some dispute as to how to count enrollment (*e.g.*, ever-enrolled vs. average enrollment vs. end-of-year enrollment), it appears that under almost any measure the District is one of the few jurisdictions nationally where enrollment declined in calendar year 2003, the latest year available.

The SCHIP authorizing structure sometimes limits the ability of a jurisdiction to use its funds as it wishes. However, most states with structural issues have been able to resolve them, either through waivers or legislative amendments. It would be to the City's substantial financial advantage to investigate such avenues rather than attempt insurance coverage 100 percent financed by City general funds.